

# N&Q

福建諾奇股份有限公司  
Fujian Nuoqi Co., Ltd.

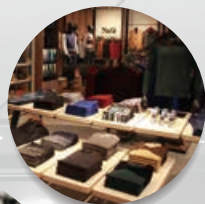
*(A Joint Stock Limited Liability Company Incorporated In The People's Republic of China)*  
Stock Code: 1353

# 2014

Interim Report



# N&Q



# CONTENTS

2	Corporate Information
4	Management Discussion and Analysis
6	Interim Dividend
7	Disclosure of Interests
10	Corporate Governance Report
12	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
13	Condensed Consolidated Statement of Financial Position
14	Condensed Consolidated Statement of Change In Equity
15	Condensed Consolidated Statement of Cash Flows
16	Notes to the Condensed Consolidated Financial Statements

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### **Executive Directors**

Mr. Ding Hui

*(Chairman and Chief Executive Officer)*

Mr. Ding Canyang

Mr. Chen Quanyi

Mr. Au Yeung Ho Yin

*(Appointed on 14 June 2014 and  
resigned on 25 July 2014)*

Mr. Jin Wenge *(Resigned on 13 June 2014)*

#### **Non-executive Directors**

Mr. Han Huiyuan

Ms. Ding Lixia

#### **Independent non-executive Directors**

Mr. Qi Xiaozhai

*(Resigned on 8 September 2015)*

Mr. Kong Yuquan

*(Resigned on 13 June 2014)*

Ms. Hsu Wai Man, Helen

*(Resigned on 3 September 2015)*

Mr. Dai Zhongchuan

*(Appointed on 14 June 2014  
and resigned on 8 September 2015)*

### REMUNERATION COMMITTEE

Mr. Qi Xiaozhai *(Chairman)*

*(Resigned on 8 September 2015)*

Mr. Chen Quanyi

Ms. Hsu Wai Man, Helen

*(Resigned on 3 September 2015)*

### NOMINATION COMMITTEE

Ms. Ding Lixia

Mr. Dai Zhongchuan *(Chairman)*

*(Appointed on 14 June 2014 and  
resigned on 8 September 2015)*

Mr. Qi Xiaozhai

*(Resigned on 8 September 2015)*

### SUPERVISORY COMMITTEE

Ms. Gu Tao *(Chairman and Employee  
Representative)*

Mr. Ye Yongguan

Ms. Guo Zhuojun

### COMPANY SECRETARY

Mr. Au Yeung Ho Yin, *HKICPA, GradICSA*  
*(Resigned on 5 September 2014)*

Mr. Law Geoff Chun Mo, *HKICPA*

*(Appointed on 26 January 2017)*

### INTERNATIONAL AUDITORS

ZhongHui Anda CPA Limited

*Certified Public Accountants*

### LEGAL ADVISERS IN HONG KONG

Chiu and Partners

### LEGAL ADVISER IN THE PRC

Fujian Junli Law Firm

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

No. 55 Chongwen Road  
Economic and Technical Development Zone  
Quanzhou  
Fujian province  
PRC

## PLACE OF BUSINESS IN HONG KONG

Rooms 1405–1412  
14/F Sun Hung Kai Centre  
30 Harbour Road  
Wanchai  
Hong Kong

## H SHARE REGISTRAR

Computershare Hong Kong Investor  
Services Limited  
Shops 1712–1716  
17th Floor Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## PRINCIPAL BANKS

China Minsheng Banking Corp., Ltd.  
China Construction Bank

## COMPANY WEBSITE

[www.nuoqi.com.hk](http://www.nuoqi.com.hk)

## STOCK CODE

1353

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Business Review**

During the period under review, the Group has incurred substantial losses amounted to approximately RMB324 million, which were due to: (1) the impairment of certain assets amounted to approximately RMB322 million (six months ended 30 June 2013: approximately RMB0.8 million) which in turn was attributable to the unauthorised acts of the Mr. Ding Hui (the Chairman of the Company) which adversely prejudice the Group's assets; and (2) the decline in the level of revenue and the level of gross profit margin.

## **Financial Review**

### **Revenue**

The Group generated revenue for the six months end 30 June 2014 of approximately RMB297 million, which represents an approximately 6% decrease compared to the last corresponding period of approximately RMB316 million. The decrease was mainly due to the decrease in the average selling prices of the Group's products.

### **Cost of sales, gross profit and gross profit margin**

Gross profit for the six months ended 30 June 2014 was approximately RMB101 million, which represents an approximately 31% decrease compared to the last corresponding period of approximately RMB146 million. The decrease was mainly due to a drop in revenue and deterioration in gross profit margin. Gross profit margin for the six months ended 30 June 2014 decreased to approximately 34% from approximately 46% for the last corresponding period. The decrease was mainly due to decrease in average selling prices and decrease in sales from department store concession counters, which generally resulted in a lower gross profit margin.

### **Other losses**

Other losses for the six months ended 30 June 2014 of approximately RMB227 million (2013: nil) represented the write-off of interest in the Hong Kong subsidiary of the Company.

## **Impairment losses on various assets**

Impairment losses on various assets, being impairment losses on trade receivables, amounted to approximately RMB94 million for the six months ended 30 June 2014 (2013: nil).

## **(Loss)/profit attributable to owners of the Company**

Based on the above, loss attributable to owners of the Company for the six months ended 30 June 2014 amounted to approximately RMB324 million (2013: profit attributable to owners of the Company of approximately RMB47 million).

## **Liquidity, financial resources and capital structure**

As at 30 June 2014, bank and cash balances of the Group were approximately RMB390 million (31 December 2013: approximately RMB350 million).

The Group's gearing ratio (measured as total borrowings over total assets) as at 30 June 2014 was approximately 27% (31 December 2013: 27%).

As at 30 June 2014, certain of the Group's bank borrowings were secured by its property, plant and equipment with a carrying value of approximately RMB69 million (31 December 2013: nil) and were secured by the Group's land with a carrying value of approximately RMB47 million (31 December 2013: approximately RMB11 million).

## **Foreign currency risks**

Most of the Group's transactions, assets and liabilities are principally denominated in Renminbi, the functional currency of the Group. Therefore, the Group had minimal exposure to foreign currency risk and hence the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure of the Group from time to time and will consider hedging significant foreign currency exposure should the need arise.

## **Contingent liabilities and capital commitments**

No sufficient information was available to ascertain the existence and completeness of the disclosure of capital commitments and contingent liabilities as at 30 June 2014 and December 2014. Such disclosure was expected to be available upon the improvement of the internal control system of the Group.

## **Interim Dividends**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

The proposed final dividend for the year ended 31 December 2013 ("2013 Proposed Dividend") had been approved by the Company's shareholders at the annual general meeting of the Company on 13 June 2014 ("Dividend Distribution Approval"). As confirmed by the PRC legal advisers of the Company, the Company is no longer required to pay the 2013 Proposed Dividend according to the Dividend Distribution Approval. According to the relevant PRC bankruptcy laws, upon the official acceptance by the relevant court in the PRC of an application for reorganisation where there was possibility that the company would be unable to repay its outstanding liabilities, the company would not be allowed to distribute any dividends to its shareholders. Considering the above, the PRC legal advisers of the Company confirmed that no further shareholders' resolution is required for the Company to terminate or cancel the Dividend Distribution Approval. Relevant shareholders of the Company may claim their entitlement to the 2013 Proposed Dividend as a creditor of the Company. If you are in any doubt as to Dividend Distribution Approval or as to the action to be taken, you should consult your legal advisers or other professional advisers.

## DISCLOSURE OF INTERESTS

### Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2014, the Directors and the Company's chief executive, and their respective associates had the following interests in the Shares in and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have been taken under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), or were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO:

#### Interests in the Company

Name of Director	Capacity/ nature of interest	Number and class of securities (Note 1)	Type of shares	Approximate percentage of the respective type of shares	Approximate percentage of total issued shares
Mr. Ding Hui	Beneficial owner	202,500,000 (L)	Domestic Shares	45.00	33.15
Ms. Ding Canyang	Beneficial owner	82,450,000 (L)	Domestic Shares	18.32	13.50
Ms. Ding Lixia	Interests in controlled corporation (Note 2)	18,000,000 (L)	Domestic Shares	4.00	2.95

Notes:

1. The letter "L" denotes the Directors' long position in the Shares.
2. Ms. Ding Lixia holds 66.10% equity interest in registered capital of Quanzhou City Nuoqi Investment and Development Co., Ltd. (泉州市諾奇投資發展有限公司) (the "Nuoqi Investment"). Accordingly, Ms. Ding Lixia is deemed to be interested in the 18,000,000 Shares held by Nuoqi Investment by virtue of SFO.



## Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30 June 2014, so far as the Directors are aware of, the interests or short positions of the persons (other than a Director or chief executive of the Company whose interests are disclosed above) and corporations in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO were as follow:

Name of shareholder	Capacity/Nature of interest	Number of Shares held (Note 1)	Type of shares	Approximate percentage of the respective type of shares	Approximate percentage of total issued shares
Mr. Chan Yuk Ming	Interests in controlled corporation	42,800,000 (L)	H Shares (Note 2)	26.62	7.01
Theme Link Investments Ltd.	Beneficial owners	12,700,000 (L)	H Shares	7.90	2.08
Evisu (PTC) Limited	Trustee	29,400,000 (L)	H Shares (Note 3)	18.28	4.81
Pacific Success Holdings Limited	Interests in controlled corporation (Note 2)	29,400,000 (L)	H Shares (Note 3)	18.28	4.81
Evergreen International Holdings Limited	Interests in controlled corporation	29,400,000 (L)	H Shares (Note 3)	18.28	4.81
Sunsonic Holdings Limited	Interests in controlled corporation	29,400,000 (L)	H Shares (Note 3)	18.28	4.81
Joy Business Investments Limited	Beneficial owners	29,400,000 (L)	H Shares (Note 3)	18.28	4.81
Mr. So Wing Hon	Beneficial owners	16,990,000 (L)	H Shares	10.57	2.78
Mr. Hong Jinjing	Interests in controlled corporation	17,840,000 (L)	H Shares (Note 4)	11.89	2.92
Sky Success Venture Holdings Limited	Beneficial owners	17,840,000 (L)	H Shares (Note 4)	11.89	2.92
Mr. Zhang Ze Sheng	Beneficial owners	17,840,000 (L)	H Shares	11.89	2.92
Ms. Ding Mingfang	Beneficial owners	14,528,000 (L)	H Shares	9.69	2.38
泉州市合眾投資有限公司	Beneficial owner	27,000,000 (L)	Domestic Shares	6.00	4.42
深圳硅谷天堂陽光創業投資	Beneficial owner	26,100,000 (L)	Domestic Shares	5.80	4.27

Notes:

1. The letter "L" denotes a person's or a corporation's long position in the Shares and "S" denotes a person's or a corporation's short position in the Shares.
2. Of the 42,800,000 H shares in which Mr. Chan Yuk Ming ("Mr. Chan") is interested or deemed to be interested, 700,000 H shares are held by him personally, 12,700,000 H shares are held by Theme Link Investments Ltd., a company wholly-owned by Mr. Chan, and 29,400,000 H shares are held by Joy Business Investments Limited, a company wholly-owned by Sunsonic Holdings Limited which is a company indirectly owned by Evisu (PTC) Limited, the trustee of a discretionary trust of which Mr. Chan was a founder (please see Note 3 below).
3. The abovementioned 29,400,000 H shares are held by Joy Business Investments Limited, a company wholly-owned by Sunsonic Holdings Limited which is in turn wholly-owned by Evergreen International Holdings Limited ("Evergreen"), a company the shares of which are listed on the Hong Kong Stock Exchange under stock code 238. Evergreen is owned as to 51% by Pacific Success Holdings Limited, a company wholly-owned by Evisu (PTC) Limited which is the trustee of a discretionary trust of which Mr. Chan was a founder.
4. Mr. Hong Jinjing holds 42.00% equity interest in registered capital of Sky Success Venture Holdings Limited. Accordingly, Mr. Hong Jinjing is deemed to be interested in the 17,840,000 Shares held by Sky Success Venture Holdings Limited by virtue of SFO.

# CORPORATE GOVERNANCE REPORT

## **Code of Corporate Governance Practice**

The Company has adopted the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance. During the six months ended 30 June 2014, the Company has complied with the code provisions under the Code, except for the deviation from the code provision A.2.1. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarised below.

Pursuant to code provision A.2.1 of the Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and these two roles were taken up by Mr. Ding Hui. In view of the recent unauthorised acts discovered of Mr. Ding Hui which adversely prejudice the Company’s assets and constitute breaches of directors’ duties, the Board has resolved to propose to remove Mr. Ding Hui as director of the Company and other subsidiaries of the Company. As at the date of this report, Mr. Ding Hui has ceased to be a director or legal representative of any subsidiary of the Company. Mr. Ding Hui no longer has any authority to act or execute documents for and on behalf of the Company and/or the Company’s subsidiaries or to bind the Company and/or the Company’s subsidiaries, notwithstanding that he remains a director of the Company. Taking into account that the Company considers that there is no imminent necessity to remove Mr. Ding Hui as director of the Company as at the date of this report, the Company is currently in the course of reviewing and discussing the appropriate steps to be taken in relation to the formal removal of Mr. Ding Hui as director of the Company.

## **Purchase, Redemption or Sale of Listed Securities of the Company**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2014.

## **Model Code for Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry by the Company to the Directors, namely, Mr. Ding Canyang, Mr. Chen Quanyi, Mr. Han Huiyuan and Ms. Ding Lixia (except Mr. Ding Hui which was not contactable by the Company as at the date of this report), they confirmed that they have complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2014. No incident of non-compliance of the written guidelines governing the securities transactions by employees who are likely to be in possession of unpublished inside information of the Company was noted by the Company during the six months ended 30 June 2014.

## **Audit Committee**

The Company currently does not have an Audit Committee, rendering the Company in breach of Rules 3.21 and 3.23 of the Listing Rules. Accordingly, the consolidated financial statements of the Company for the six months ended 30 June 2014 have not been reviewed by the Audit Committee and there has not been discussion with the auditors of the Company on accounting principles and practices adopted by the Group and financial reporting matters.

## **Suspension of Trading**

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 11:25 a.m. on 23 July 2014, and will remain suspended pending the release of further information by the Company.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
<b>Revenue</b>	4	<b>297,002</b>	316,099
Cost of sales		<b>(196,402)</b>	(169,754)
Gross profit		<b>100,600</b>	146,345
Other income	5	<b>13,085</b>	10,726
Selling and distribution expenses		<b>(52,801)</b>	(58,320)
Administrative and other expenses		<b>(35,607)</b>	(27,638)
<b>Profit from operations</b>		<b>25,277</b>	71,113
Other losses		<b>(227,494)</b>	–
Impairment losses on various assets		<b>(94,462)</b>	(791)
Finance costs	6	<b>(9,463)</b>	(8,198)
<b>(Loss)/profit before tax</b>		<b>(306,142)</b>	62,124
Income tax	7	<b>(17,860)</b>	(15,418)
<b>(Loss)/profit and total comprehensive (loss)/income for the period attributable to the owners of the Company</b>	8	<b>(324,002)</b>	46,706
<b>(Loss)/earnings per share</b>	10		
Basic (RMB per share)		<b>(0.54)</b>	0.10
Diluted (RMB per share)		<b>(0.54)</b>	0.10

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	123,639	125,751
Prepaid land lease payments		45,873	46,366
Deposits paid		–	1,763
Deferred tax assets		–	5,232
		<u>169,512</u>	<u>179,112</u>
<b>Current assets</b>			
Inventories		97,489	112,905
Trade receivables	12	129,177	79,375
Other receivables and prepayments		200,408	158,847
Prepaid land lease payments		987	987
Pledged deposits		–	8,800
Bank and cash balances		389,610	350,354
		<u>817,671</u>	<u>711,268</u>
<b>Current liabilities</b>			
Trade and bills payables	13	212,694	63,000
Other payables and accruals		67,634	80,493
Dividend payables	9	30,540	–
Bank borrowings		261,886	239,040
Tax payable		31,870	25,217
		<u>604,624</u>	<u>407,750</u>
<b>Net current assets</b>		<u>213,047</u>	<u>303,518</u>
<b>NET ASSETS</b>		<u>382,559</u>	<u>482,630</u>
<b>Capital and reserves</b>			
Share capital	14	122,159	90,000
Reserves		260,400	392,630
<b>TOTAL EQUITY</b>		<u>382,559</u>	<u>482,630</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Proposed final dividends RMB'000	Retained profits/ (Accumulated losses) RMB'000	Total RMB'000
At 1 January 2013 (unaudited)	90,000	98,499	24,349	-	188,041	400,889
Total comprehensive income for the period (unaudited)	-	-	-	-	46,706	46,706
At 30 June 2013 (unaudited)	90,000	98,499	24,349	-	234,747	447,595
At 1 January 2014 (audited)	90,000	98,499	33,856	-	260,275	482,630
Total comprehensive loss for the period (unaudited)	-	-	-	-	(324,002)	(324,002)
Dividends proposed (unaudited)	-	-	-	(30,540)	-	(30,540)
Issuance of new shares upon initial public offer (unaudited)	30,000	206,519	-	-	-	236,519
Issuance of new shares upon exercise of an over-allotment option (unaudited)	2,159	15,793	-	-	-	17,952
At 30 June 2014 (unaudited)	122,159	320,811	33,856	(30,540)	(63,727)	382,559

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Net cash (used in)/generated from operating activities</b>	<b>(239,436)</b>	55,768
<b>Net cash generated from investing activities</b>	<b>10,681</b>	(2,114)
<b>Cash flows from financing activities</b>		
Proceeds from disposal of property, plant and equipment	<b>157</b>	243
New bank borrowings	<b>142,886</b>	124,791
Repayment of bank borrowings	<b>(120,040)</b>	(98,200)
Proceeds from issuance upon initial public offer	<b>236,519</b>	–
Proceeds from issuance upon exercise of an over-allotment option	<b>17,952</b>	–
Interest paid	<b>(9,463)</b>	(8,198)
<b>Net cash generated from financing activities</b>	<b>268,011</b>	18,636
<b>Net increase in cash and cash equivalents</b>	<b>39,256</b>	72,290
Cash and cash equivalents at beginning of the period	<b>350,354</b>	198,136
<b>Cash and cash equivalents at end of the period</b>	<b>389,610</b>	270,426
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	<b>389,610</b>	270,426



# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 1. GENERAL INFORMATION

The Company was incorporated in the People's Republic of China (the "PRC") on 14 October 2004 as a domestic company with limited liability under the name of Quanzhou City Nuoqi Fashion Chain Sales Co., Ltd. (泉州市諾奇時裝連鎖銷售有限公司). On 22 January 2008, the Company was renamed as Fujian Nuoqi Co., Ltd. (福建諾奇股份有限公司) and transformed into a joint stock company with limited liability. The Company's registered office is located at No. 55 Chongwen Road, Economic and Technical Development Zone, Quanzhou, Fujian Province, the PRC.

The principal activities of the Company are investment holding and retailing of men's casual apparels. There were no significant changes in the nature of the Group's principal activities during the period.

The Company's ordinary shares (the "H Shares") that are approved for listing and trading on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were listed on the Stock Exchange on 9 January 2014 and have been suspended for trading since 23 July 2014. As at 5 September 2016, the Company became a subsidiary of Hao Tian Development Group Limited, whose shares were listed on the Stock Exchange (Stock Code: 474).

## 2. BASIS OF PREPARATION

### *Suspension of trading in shares of the Company*

The trading of the shares of the Company on the Stock Exchange has been suspended. Reference is made to the Company's announcement dated 23 July 2014.

Reference to the Company's announcement dated 25 July 2014, the Board had not been able to contact or reach Mr. Ding Hui, the Chairman, the chief executive officer and an executive director of the Company. Also, there was news alleging that Mr. Ding Hui had absconded.

## 2. BASIS OF PREPARATION *(Continued)*

### ***Suspension of trading in shares of the Company (Continued)***

Since Mr. Ding Hui had not been contactable, the Company had been conducting investigation on the impact on assets and financial position of the Group. The Board discovered that RMB50 million and HKD19.55 million had been transferred from a bank account of Nuoqi Fashion International Limited (the “Nuoqi Fashion”), a wholly owned Hong Kong subsidiary of the Company, to an account of a British Virgin Islands incorporated company which is not a company of the Group, on 27 January 2014 and 3 April 2014, respectively, under the instruction of Mr. Ding Hui. Reference to the Company’s announcement dated 19 August 2014, the Board was informed by various financial institutions that the Company and/or its subsidiaries have allegedly guaranteed and/or pledged securities for the aggregate principal amount of approximately RMB454.5 million of loans provided to various parties not within the Group, under the instruction of Mr. Ding Hui. The Board was also informed by and has received demand letters (the “Demands”) from these financial institutions and understood from them that they had accelerated repayment of certain loans and had applied the deposits that the Group maintained with these financial institutions as security for the repayment of such loans. Certain of the Company’s cash deposits maintained with various other banks have been frozen.

In view of the aforesaid unauthorised acts discovered of Mr. Ding Hui (the “Incidents”) which adversely prejudiced the Company’s assets and constituted breaches of director’s duties, the Board had taken steps and resolved to propose the removal of Mr. Ding Hui as director of the Company and the subsidiaries of the Company. The Board informed the market that Mr. Ding Hui shall no longer have any authority to act or execute documents for and on behalf of the Company and/or the Company’s subsidiaries or to bind the Company and/or the Company’s subsidiaries, notwithstanding Mr. Ding Hui remained as a director of the Company and/or the relevant Company’s subsidiaries.

On 7 November 2014, the Company received a letter from the Stock Exchange detailing the resumption conditions (the “Resumption Conditions”) imposed on the Company as follows:

- (i) Demonstrate that the Company has sufficient operations or value of assets under Rule 13.24 of the Listing Rules;
- (ii) Engage an independent forensic specialist acceptable to the Stock Exchange to conduct forensic investigations on the Incidents;
- (iii) Demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems;

## 2. BASIS OF PREPARATION *(Continued)*

### *Suspension of trading in shares of the Company (Continued)*

- (iv) Demonstrate that there is no reasonable regulatory concern about management integrity which will pose a risk to investors and damage market confidence;
- (v) Publish all outstanding financial results and address any audit qualifications; and
- (vi) Inform the market about all material information of the Company.

The Company is also required to comply with the Listing Rules and all applicable laws and regulations in Hong Kong and its place of incorporation before resumption. The Stock Exchange noted that it may modify any of the above and/or impose further conditions if the situation changes.

On 24 March 2015, the Company received a notice from the Quanzhou Municipal Intermediate People's Court (the "Quanzhou Court") dated 23 March 2015 stating that an alleged creditor of the Company had applied to the Quanzhou Court for the reorganisation of the Company (the "Application"), on the basis that there was possibility that the Company would be unable to repay its outstanding liabilities. On 27 March 2015, the Company submitted to the Quanzhou Court that it had no objection to the Application.

On 1 April 2015, the Quanzhou Court officially accepted the Application for the reorganisation and appointed a group of persons collectively as the administrator for the Company (the "Administrator"), who would be responsible for, among other matters, taking possession and control over the assets and company chop of the Company, deciding on the Company's internal administrative affairs and managing assets of the Company. The Administrator is also expected to appoint a valuer to assess the value of the Company's assets and the Company's debt repayment ability. A reorganisation proposal was expected to submit to the Quanzhou Court for final approval within 6 months from the acceptance date of the Application (i.e. 30 September 2015). On 11 April 2015, the Quanzhou Court issued an announcement to notify creditors of the Company to file with the Administrator before 11 June 2015 declarations of their claims of indebtedness against the Company. Also, the Company and the Administrator had been engaging in discussions with potential investors who may invest in the continuing business operations of the Company.

The first meeting of creditors (the "First Creditors' Meeting") of the Company was held on 25 June 2015. At the First Creditors' Meeting, the Administrator reported to the creditors of the Company the progress of the reorganisation, including but not limited to its administration of the Company's assets and business operations, preliminary assessment on the financial conditions of the Company and on the claim declarations from creditors of the Company.

## 2. BASIS OF PREPARATION *(Continued)*

### ***Suspension of trading in shares of the Company*** *(Continued)*

On 30 September 2015, extension for submitting the reorganisation proposal to 31 December 2015 was granted by the Quanzhou Court.

On 26 November 2015, the Company entered into a restructuring agreement (the “Restructuring Agreement”) with an investor (the “Investor”), pursuant to which the Investor conditionally agreed to participate in the restructuring of the Company. Pursuant to the Restructuring Agreement, the Investor shall, on the day after the Restructuring Agreement becomes effective, pay to the Administrator a sum of RMB5 million as deposit. Furthermore, the Investor agreed to provide an interest-free loan not exceeding RMB5 million to the Company to provide funding of its operations. After signing of the Restructuring Agreement, the Investor will also endeavour to appoint auditors and other professional parties to assist the Company in fulfilling the Resumption Conditions. The Restructuring Agreement is a framework agreement which acts as a basis for the Administrator to formulate the proposal for reorganisation (the “Reorganisation Proposal”), which shall be submitted to the Quanzhou Court, the creditors’ meeting and the meeting of holders of domestic shares of the Company for approval. The Quanzhou Court has the authority to make the final decision on the Reorganisation Proposal.

On 30 December 2015, the Reorganisation Proposal was submitted to the Quanzhou Court for approval by the Quanzhou Court, the creditors’ meeting and the meeting of holders of domestic shares.

On 26 January 2016, the Board received a letter (the “Delisting Letter”) dated 25 January 2016 from the Stock Exchange in which the Company was informed that the Stock Exchange has placed the Company in the first delisting stage under Practice Note 17 to the Listing Rules and that the Company is required to submit a viable resumption proposal at least 10 business days before 24 July 2016, being the expiry date of the first delisting stage, to address the Resumption Conditions.

On 27 January 2016, the creditors’ meeting and the meeting of holders of domestic shares were held accordingly and the Reorganisation Proposal was approved by the creditors’ meeting and the meeting of holders of domestic shares. The Reorganisation Proposal was approved by the Quanzhou Court on 1 February 2016.

The Restructuring Agreement was terminated on 13 June 2016 by way of a termination notice issued by the Administrator to the Investor.

## 2. BASIS OF PREPARATION *(Continued)*

### ***Suspension of trading in shares of the Company (Continued)***

On 22 July 2016, a new restructuring agreement (the “HT China Restructuring Agreement”) was entered into between Hao Tian Investment (China) Company Limited (the “Hao Tian China”) and the Company, pursuant to which among others, (i) Hao Tian China conditionally agreed to participate in the restructuring of the Company, in replacement of the previous Investor, as the party responsible for the restructuring (the “Change of Investor”) under the Reorganisation Proposal; and (ii) for the retention of the assets in the Company and the transfer of 51% equity interest in the Company to Hao Tian China. The Change of Investor is subject to the approval of the Quanzhou Court. The HT China Restructuring Agreement sets out, among others, the Hao Tian China investment sum payable by Hao Tian China amounting to RMB150,583,125.05. A sum of RMB6,000,000.00 as deposit to guarantee the performance of Hao Tian China under the HT China Restructuring Agreement was paid to the Administrator on 22 July 2016.

On 26 July 2016, the Board received a letter from the Stock Exchange in which the Company was informed that the Stock Exchange has placed the Company in the second delisting stage under Practice Note 17 to the Listing Rules. The Company is required to submit a viable resumption proposal at least 10 business days before 25 January 2017, being the expiry date of the second delisting stage to demonstrate that the Company has sufficient operations or value of assets as required under Rule 13.24 of the Listing Rules.

On 12 August 2016 and 18 August 2016, the Quanzhou Court approved the Change of Investor and the Department of Commerce of Fujian Province approved the domestic shares adjustment and the implementation of the Reorganisation Proposal by Hao Tian China, respectively. On 23 August 2016, the remaining balance of RMB144,583,125.05 was paid to the Administrator. On 5 September 2016, completion of the HT China Restructuring Agreement took place. Immediately after the transfer of 311,504,940 domestic shares to Hao Tian China in accordance with the terms of the Reorganisation Proposal and the HT China Restructuring Agreement, Hao Tian China and any parties acting in concert with any of them own in aggregate 311,504,940 domestic shares, representing 51% of the total issued share capital of the Company.

Subsequent to the completion of the share transfer, Hao Tian China and Hao Tian Corporation Limited (collectively, the “Offerors”) are required to make mandatory unconditional cash offers for all the issued domestic shares and H Shares of the Company not already owned or agreed to be acquired by any of them and parties acting in concert with any of them (the “General Offer”).

On 20 October 2016, RSM Corporate Advisory (Hong Kong) Limited, an independent professional firm, has been appointed by the Company to conduct independent forensic investigations over the Incidents as required by the Resumption Conditions.

## 2. BASIS OF PREPARATION *(Continued)*

### *Suspension of trading in shares of the Company (Continued)*

Up to the issuance of these financial statements, the General Offer and the fulfillment of the Resumption Conditions are still in progress.

### *Going concern*

The Group incurred a loss of approximately RMB324,002,000 for the six months ended 30 June 2014 and has sustained significant continuing losses for the financial year ended 31 December 2014 and 2015; and net current liabilities and net liabilities as at 31 December 2014 and 2015. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors are confident that the Group would have sufficient working capital for the Group to meet its liabilities as they fall due and for its operation, and in the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the condensed consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the condensed consolidated financial statements.

## 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

#### 4. REVENUE

The Group's revenue is analysed as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of goods	<b>297,002</b>	316,099

#### 5. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Commission income	<b>4,461</b>	572
Government grants (note)	<b>351</b>	4,015
Membership fee from customers	<b>2,155</b>	2,012
Gross rental income	<b>98</b>	170
Bank interest income	<b>5,784</b>	3,957
Others	<b>236</b>	—
	<b>13,085</b>	10,726

Note: Government grants are awarded to the Group by local government agencies as incentives primarily to encourage the development of the Group and its contribution to the local economic development. No conditions have been applied on such government grants from the local government agencies.

## 6. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interests on interest-bearing bank borrowings	<b>9,463</b>	8,198

## 7. INCOME TAX

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
– Provision for the PRC enterprise income tax	<b>12,628</b>	16,174
Deferred tax	<b>5,232</b>	(756)
	<b>17,860</b>	15,418

The PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law took effect from 1 January 2008.



## 8. LOSS/(PROFIT) FOR THE PERIOD

The Group's loss/(profit) for the period is stated after charging the following:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories sold	196,402	169,754
Depreciation	3,595	5,470
Minimum lease payment	6,015	6,962
Amortisation of prepaid land lease payments	493	493
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	28,714	20,072
Retirement benefits scheme contributions	5,914	4,981
	<b>34,628</b>	25,053
Loss on disposal/write-off of property, plant and equipment	2,263	1,519
Provision for obsolete inventories, net	4,636	1,495
Impairment of trade receivables, net	94,462	791
Other losses	227,494	–

## 9. DIVIDENDS

The proposed final dividend for the year ended 31 December 2013 had been approved by the Company's shareholders at the annual general meeting dated 13 June 2014 of which the payment have been postponed by the Directors, subject to the Incidents as set out in note 2 to the financial statements. The proposed final dividend was still outstanding as at 30 June 2014.

The Directors do not recommend or declare the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

## 10. (LOSS)/EARNINGS PER SHARE

### *Basic (loss)/earnings per share*

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the period of approximately RMB324,002,000 (2013: profit of approximately RMB46,706,000) and the weighted average number of ordinary shares of 602,017,293 (2013: 450,000,000, as adjusted to reflect the impact of the share split during the current period) in issue during the period.

### *Diluted (loss)/earnings per share*

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary shares for the six months ended 30 June 2014 and 2013.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment amounted to approximately RMB3,903,000.

## 12. TRADE RECEIVABLES

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	<b>30 June 2014 RMB'000 (unaudited)</b>	31 December 2013 RMB'000 (audited)
Within 1 month	<b>51,950</b>	59,573
1 to 2 months	<b>39,486</b>	18,147
2 to 3 months	<b>37,741</b>	1,343
Over 3 months	—	312
	<b>129,177</b>	79,375

### 13. TRADE AND BILLS PAYABLES

	<b>30 June 2014 RMB'000 (unaudited)</b>	31 December 2013 RMB'000 (audited)
Trade payables	<b>45,160</b>	31,000
Bills payables	<b>167,534</b>	32,000
	<b>212,694</b>	63,000

The trade payables are non-interest-bearing and are normally settled on one month's term. The bills payable are non-interest-bearing, and are normally settled in one to six months.

The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

	<b>30 June 2014 RMB'000 (unaudited)</b>	31 December 2013 RMB'000 (audited)
Within 1 month	<b>12,548</b>	18,360
1 to 3 months	<b>20,377</b>	11,132
3 to 6 months	<b>6,047</b>	1,505
6 months to 1 year	<b>5,087</b>	3
Over 1 year	<b>1,101</b>	-
	<b>45,160</b>	31,000

#### 14. SHARE CAPITAL

	Notes	Number of shares	Amount RMB'000
<i>Authorised:</i>			
Ordinary shares at RMB0.20 (2013: RMB1.00) each			
At 1 January 2013, 31 December 2013 and 1 January 2014		90,000,000	90,000
Share split	(a)	360,000,000	–
Issuance of new shares on 9 January 2014 upon initial public offer	(b)	150,000,000	30,000
Issuance of new shares on 6 February 2014 upon exercise of an over-allotment option	(c)	<u>10,794,000</u>	<u>2,159</u>
At 30 June 2014		<u>610,794,000</u>	<u>122,159</u>
<i>Issued and fully paid:</i>			
Ordinary shares at RMB0.20 (2013: RMB1.00) each			
At 1 January 2013, 31 December 2013 and 1 January 2014 (audited)		90,000,000	90,000
Share split (unaudited)	(a)	360,000,000	–
Issuance of new shares on 9 January 2014 upon initial public offer (unaudited)	(b)	150,000,000	30,000
Issuance of new shares on 6 February 2014 upon exercise of an over-allotment option (unaudited)	(c)	<u>10,794,000</u>	<u>2,159</u>
At 30 June 2014 (unaudited)		<u>610,794,000</u>	<u>122,159</u>

#### 14. SHARE CAPITAL *(Continued)*

Notes:

- (a) As detailed in the prospectus of the Company dated 30 December 2013, the registered share capital of the Company will be subdivided in such manner that every existing share of RMB1.00 each will be subdivided into five shares of RMB0.20 each, subject to the success of the listing on the Hong Kong Stock Exchange. As a result, the registered share capital of the Company of 90 million shares of RMB1.00 each was subdivided into 450 million shares of RMB0.20 each subsequent to the end of the reporting period.
- (b) In connection with the Company's global offering on The Stock Exchange, on 9 January 2014, 150,000,000 ordinary shares of RMB0.20 each were issued at a subscription price of HK\$2.13 per share for a total cash consideration, before expenses, of HK\$319,500,000 (approximately RMB236,519,000). Dealings in these shares on the Stock Exchange commenced on 9 January 2014.
- (c) Pursuant to the international underwriting agreement dated 6 January 2014, the Company granted an option (the "Over-allotment Option") to the international underwriters, exercisable by CCB International Capital Limited on behalf of the international underwriters. On 6 February 2014, 10,794,000 ordinary shares of RMB0.20 each under the Over-Allotment Option were issued at a subscription price of HK\$2.13 per share for a total cash consideration, before expenses, of HK\$22,991,220 (approximately RMB17,952,000) to cover over-allocations in the international offering. Dealings in these shares on the Stock Exchange commenced on 6 February 2014.